

## Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 EB-07 TRSE-00 SS-15 /033 R

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NEA - MR. DUBS

-----026527 212344Z /66

O 212323Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI IMMEDIATE

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E.O. 11652: N/A

TAGS: OVIP (CHRISTOPHER, WARREN)

SUBJECT: IDA V

REF: STATE 132175

1. THERE FOLLOWS FOR INSERTION IN DEPUTY SECRETARY'S  
BRIEFING BOOK AND FOR EMBASSY INFORMATION CURRENT BACK-  
GROUND AND TALKING POINTS ON IDA V:

2. ESSENTIAL FACTORS.

PRIOR TO THE INDIAN ELECTIONS AND IN RESPONSE TO CON-  
GRESSIONAL PRESSURE, WE SUPPORTED A REDUCTION IN INDIA'S  
40 PER CENT SHARE OF RECENT IDA LENDING. (A CEILING OF  
40 PER CENT OF IDA LENDING HAS BEEN IN EFFECT FOR INDIA  
FOR SOME TIME.) WE FEARED THAT CONGRESSIONAL DISLIKE FOR  
INDIA COULD JEOPARDIZE THE ENTIRE IDA V REPLENISHMENT  
EFFORT. SINCE THE ELECTIONS WE HAVE BACKED OFF ON CUTTING  
INDIA BUT HAVE URGED THE WORLD BANK TO REVISE OVERALL  
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COUNTRY ALLOCATION CRITERIA. AS YOU KNOW, THE INDIANS  
HAVE EXPRESSED CONCERN THAT THIS REVIEW MIGHT RESULT IN A  
REDUCTION OF THEIR SHARE.

THE BANK BOARD OF DIRECTORS APPROVED BANK MANAGEMENT'S  
RECOMMENDATIONS ON IDA COUNTRY ALLOCATIONS JULY 19. THE  
BOARD ACCEPTED THE 40 PER CENT CEILING FOR INDIA AS A

GENERAL GUIDELINE. THE U.S. REPRESENTATIVE MADE NO STATEMENT OTHER THAN TO SUPPORT THE BANK STUDY. THESE RECOMMENDATIONS SUPPORT THE ADDITION OF SEVERAL EAST ASIAN AND OTHER COUNTRIES TO THE IDA ELIGIBLE LIST AND NOTE THAT, WHILE THIS WILL AFFECT THE REGIONAL DISTRIBUTION OF IDA LOANS, THE NET EFFECT ON INDIVIDUAL COUNTRIES WILL BE NEGLIGIBLE. THIS EXPECTED INCREASE IN LENDING TO EAST ASIA WILL BE LARGELY OFFSET BY THE GRADUATION OF ELIGIBLES AND THE INABILITY OF SOME COUNTRIES TO ABSORB MORE LENDING. THE BANK CONCEDES ITS INABILITY TO PREDICT EXACT COUNTRY-BY-COUNTRY DISTRIBUTION OF RESOURCES BECAUSE OF THE UNCERTAINTIES INVOLVED. WE DON'T ANTICIPATE ANY SIGNIFICANT REDUCTION IN THE SHARE GOING TO INDIA.

3. RECOMMENDED TALKING POINTS.

-- WE HAVE NOT PRESSED FOR A REDUCTION OF IDA LENDING TO INDIA BUT HAVE SUPPORTED AN OBJECTIVE BANK REASSESSMENT OF LENDING CRITERIA IN THE LIGHT OF CURRENT WORLD ECONOMIC CONDITIONS.

-- THE BANK HAS COMPLETED ITS REVIEW AND HAS DECIDED TO ADD SEVERAL EAST ASIAN AND OTHER COUNTRIES TO THE IDA V ELIGIBLE LIST. WHILE WE UNDERSTAND THESE ADDITIONS MIGHT EFFECT SMALL REDUCTIONS IN LENDING TO OTHER REGIONS, THE LIMITED OFFICIAL USE

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BANK SEES THE NET EFFECT ON INDIVIDUAL COUNTRIES AS NEGLIGIBLE. THE REVIEW ACCEPTS THE 40 PER CENT CEILING FOR INDIA AS A GENERAL GUIDELINE.

-- ANNUAL LENDING TO INDIA UNDER IDA V COULD BE ALMOST DOUBLE THE LEVEL UNDER IDA IV. THE U.S. CONGRESS IS NOW CONSIDERING LEGISLATION AUTHORIZING OUR DOLS 2.4 BILLION SHARE OVER THE NEXT THREE YEARS AND APPROPRIATING OUR DOLS 800 MILLION PAYMENT FOR THE FIRST YEAR. WE HOPE TO WIN FINAL APPROVAL FOR OUR REQUEST SHORTLY. VANCE

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009